



**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

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Expedited Application Of Southern California
Edison Company (U 338-E) Regarding Energy
Resource Recovery Account Trigger Mechanism

A.18-11-XXX

EXPEDITED APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY
(U 338-E) REGARDING ENERGY RESOURCE RECOVERY ACCOUNT TRIGGER
MECHANISM

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Dated: **November 13, 2018**

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**EXPEDITED APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY
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MECHANISM**

I.

INTRODUCTION

Southern California Edison Company (SCE) files this Energy Resource Recovery Account (ERRA) Trigger Application (ERRA Trigger Application or Application) in compliance with Section 454.5(d)(3) of the Public Utilities Code (Section 454.5(d)(3)), Commission Decisions (D.) 02-10-062, D.04-12-048, and D.06-06-051 of the California Public Utilities Commission (Commission), and in response to the Energy Division's October 30, 2018 disposition letter denying SCE's Advice Letter 3856-E. As discussed in this Application and in the supporting testimony (Exhibit SCE-01), as of July 31, 2018 SCE's ERRA balance exceeded the five percent threshold established in Assembly Bill (AB) 57 (Stats. 2002, Ch. 835) with no self-correction in the ERRA balance expected by year-end 2018. Rather than request an immediate increase in rates to recover the ERRA Balancing Account (BA) undercollection amount (Undercollection Amount) as permitted by Section 454.5(d)(3), SCE is requesting authority to maintain rates at their current levels and to address the Undercollection Amount in SCE's pending 2019 ERRA Forecast Application ((Application (A.) 18-05-003)). This

Application contains a proposed, expedited schedule and SCE respectfully requests that the Commission issue a timely decision in this proceeding either granting SCE's proposal to address the Undercollection Amount in SCE's 2019 ERRA Forecast Application; or consolidating (through a ruling or decision) this Application with SCE's 2019 ERRA Forecast proceeding; or otherwise dismissing this Application as moot in light of SCE's pending 2019 ERRA Forecast Application.

II.

LEGAL AUTHORITY

This Application is being made pursuant to D.02-10-062, D.04-12-048, and Section 454.5(d)(3). Pursuant to AB 57, the Commission established the ERRA BA in 2002 to record the investor-owned utilities' fuel and purchased power revenues against actual recorded costs, excluding revenues collected for the California Department of Water Resources (CDWR).¹ AB 57 also mandated the trigger threshold for the balance in the ERRA BA of five percent of the electric utility's actual recorded generation revenues for the prior calendar year:²

The commission shall review the power procurement balancing accounts, not less than semi-annually, and shall adjust rates or order refunds, as necessary, to promptly amortize a balancing account, according to a schedule determined by the commission. Until January 1, 2006, the commission shall ensure that any overcollection or undercollection in the power procurement balancing account does not exceed 5 percent of the electrical corporation's actual recorded generation revenues for the prior calendar year excluding revenues collected for the Department of Water Resources. The commission shall determine the schedule for amortizing the overcollection or undercollection in the balancing account to ensure that the 5 percent threshold is not exceeded. After January 1, 2006, this adjustment shall occur when deemed appropriate by the commission consistent with the objectives of this section.

¹ Pub. Util. Code Section 454.5(d)(3), enacted by AB 57.

² *Id.*

In accordance with D.02-10-062, which implemented the provisions of AB 57, the ERRA BA is subject to a trigger mechanism that requires a rate adjustment when the recorded monthly balance (undercollection or overcollection) exceeds a four percent (4%) trigger point and when the balance is forecasted to exceed the five percent (5%) threshold amount.³ The trigger mechanism considers the relationship between the ERRA balance and the prior year's recorded electric generation revenues, excluding the CDWR revenues.

Accordingly, the Commission established a "minimum balance" approach for rate adjustments. Instead of changing rates when the recorded balance in the ERRA exceeds or reaches 5% of the prior year's recorded generation revenues, excluding revenues collected for CDWR, (referred to as the Threshold or 5% Threshold), the Commission directed Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E) and SCE to file expedited applications for approval within 60 days from the date when the new ERRA balance reaches 4% (referred to as the Trigger Point or 4% Trigger Point).⁴ The expedited application is to: 1) include a projected account balance 60 days or more from the date of filing depending upon when the balance will reach the 5% Threshold; 2) propose an amortization period of not less than 90 days to ensure timely recovery of the projected ERRA balance; and 3) include an allocation of the over- and under-collection among customers for rate adjustments based upon an existing allocation methodology recognized by the Commission.⁵ The trigger mechanism was modified in D.06-06-051 to allow SCE to notify the Commission through advice letters instead of expedited applications when the ERRA balance exceeds the 4% Trigger Point and SCE does not seek a change in rates if the ERRA balance will self-correct above/below the Trigger Point within 120 days of the advice letter submission. Additionally, pursuant to D.04-01-050, SCE is required to file an advice letter by April 1 of each year to update the Trigger Point and

³ D.02-10-062, p. 65.

⁴ In D.02-12-074 the Commission authorized PG&E to file an expedited trigger application at any time that its forecast indicated it will face an undercollection in excess of the 5% AB 57 Threshold.

⁵ D.02-10-062, pp. 65-66.

Threshold. On February 23, 2018, SCE filed Advice Letter 3751-E, its annual compliance advice letter to the Commission, to establish the Trigger Point and Threshold amounts for calendar year 2018, in the amounts of \$197.179 million and \$246.473 million, respectively.⁶

SCE is filing this Application in compliance with D.02-10-062, which requires SCE to file an expedited ERRA trigger application when its ERRA BA exceeds the 4% Trigger Point and when the balance is forecasted to exceed the 5% Threshold amount and to not self-correct within 120 days.

III.

BACKGROUND

As of May 31, 2018, SCE's recorded ERRA balance was an undercollection of \$488.6 million, resulting in a recorded trigger of a positive 4.66 percent of recorded 2017 generation revenues (after accounting for a prior period ratemaking adjustment as described in Exhibit SCE-01). As of June 30, 2018, SCE's ERRA recorded balance was reduced to an undercollection of \$451.8 million, resulting in a recorded trigger of positive 4.57 percent of recorded 2017 generation revenues (after prior period ratemaking adjustment). In both May and June, SCE exceeded the 4% Trigger Point of \$197.2 million. The primary driver behind the triggering of an undercollection in the ERRA BA in May and June 2018 was the difference between actual recorded December 2017 ERRA BA activity versus estimated December 2017 ERRA BA activity that was used to set January 1, 2018 generation rate levels.

As of July 31, 2018, SCE's ERRA recorded ending balance was an undercollection of \$560.1 million, resulting in a recorded trigger of positive 7.42 percent of recorded 2017 generation revenues (after prior period ratemaking adjustment). This exceeded both SCE's 2018 4% Trigger Point and the 5% Threshold amount of \$246.5 million. As of August 31, 2018, SCE once again surpassed both the 4% Trigger Point and the 5% Threshold amount as SCE's

⁶ Advice Letter 3751-E was approved by the Energy Division on March 23, 2018, effective on March 26, 2018.

ERRA recorded ending balance was an undercollection of \$529.7 million, resulting in a recorded trigger of positive 7.46 percent of generation revenues (after prior period ratemaking adjustment). The primary driver behind the triggering of the ERRA BA in July 2018, with no self-correction expected by year-end, was the dramatic increase in gas and electric wholesale market prices that were experienced in July 2018 and early August 2018.

On August 31, 2018, SCE submitted Advice Letter 3856-E to provide notification that SCE's ERRA account balance surpassed the 4% Trigger Point and the 5% Threshold amount as of July 31, 2018, and that SCE did not forecast that the ERRA balance would not self-correct below the Threshold amount by year-end 2018. In Advice Letter 3856-E, SCE proposed that no rate action be taken at that time. Rather, SCE requested authority to maintain rates at their current levels and to address the Undercollection Amount in A.18-05-003. It is also important to note that while the trigger mechanism applies only to the balance in the ERRA BA, costs recorded in other balancing accounts (*e.g.*, the New System Generation Balancing Account for CAM resources) will also lead to rate changes on January 1, 2019.

As of September 30, 2018, SCE's ERRA recorded ending balance was an undercollection of \$690.3 million, resulting in a recorded trigger of positive 11.38 percent of recorded 2017 generation revenues (after prior period ratemaking adjustment). This exceeded both SCE's 2018 4% Trigger Point and the 5% Threshold amount of \$246.5 million.

IV.

REVENUE ALLOCATION AND RATE DESIGN

Although SCE is not proposing in this Application to change rates, Table IV-1 below shows the impact on current rates if SCE implemented a rate change for the ERRA Undercollection Amount through this Application. The rate information does not reflect the full, consolidated revenue requirement changes SCE expects to implement on January 1, 2019.

Table IV-1
SCE 2018 ERRR Trigger Undercollection Class Average Rates

| Customer Group | Current Revenues (\$000) | Revenue Change (\$000) | % Change | Present Rates (¢/kWh) | Proposed Rates (¢/kWh) |
|-----------------------------------|--------------------------------|------------------------------|----------|-----------------------------|------------------------------|
| Residential | 4,864,893 | 148,609 | 3.1% | 18.1 | 18.7 |
| Lighting - Small and Medium Power | 4,308,871 | 118,984 | 2.8% | 17.0 | 17.5 |
| Large Power | 1,989,188 | 57,310 | 2.9% | 12.0 | 12.4 |
| Agricultural and Pumping | 433,836 | 13,648 | 3.1% | 13.3 | 13.7 |
| Street and Area Lighting | 127,013 | 1,964 | 1.5% | 18.6 | 18.9 |
| Standby | 281,192 | 9,883 | 3.5% | 9.9 | 10.3 |
| Total | 12,004,992 | 350,399 | 2.9% | 16.0 | 16.5 |

V.

REQUESTED RELIEF

Although SCE is required to make this filing pursuant to D.02-10-062 and D.06-06-051, SCE is not requesting recovery of the ERRR Undercollection Amount in this Application. Rather, SCE requests that the Commission authorize it to address the Undercollection Amount in its pending 2019 ERRR Forecast Application (A.18-05-003); or consolidate (through a ruling or decision) this Application with SCE's 2019 ERRR Forecast proceeding; or otherwise dismiss this Application as moot in light of SCE's pending 2019 ERRR Forecast Application.

VI.

BALANCE SHEET, INCOME STATEMENT, AND SUMMARY OF EARNINGS

Pursuant to Rule 3.2 of the Commission's Rules of Practice and Procedure, SCE has attached hereto its most recent Balance Sheet and Income Statement as Attachment B, and its most recent Summary of Earnings as Attachment C.

VII.

APPLICANT'S FULL NAME, LEGAL STATUS AND CORPORATE INFORMATION

Pursuant to Rule 2.1 of the Commission's Rules of Practice and Procedure, the full legal name of the applicant is Southern California Edison Company. SCE is a corporation organized and existing under the laws of the State of California. SCE's principal place of business is 2244 Walnut Grove Avenue, Rosemead, California, and its post office address and telephone number are:

Southern California Edison Company
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-1212

Correspondence and written communications should be addressed to:

Mario E. Dominguez
Attorney, Law Department
Southern California Edison Company
2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, CA 91770
Telephone: (626) 302-6522
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VIII.

ORGANIZATION AND QUALIFICATION TO TRANSACT BUSINESS –

RULE 2.2

A copy of SCE's Certificate of Restated Articles of Incorporation, effective on March 2, 2006, and presently in effect, certified by the California Secretary of State, was filed with the Commission on March 14, 2006, in connection with Application No. 06-03-020, and is incorporated herein by this reference pursuant to Rule 2.2 of the Commission's Rules of Practice and Procedure.

A copy of SCE's Certificate of Determination of Preferences of the Series E Preference Stock filed with the California Secretary of State on January 12, 2012, and a copy of SCE's

Certificate of Increase in Authorized Shares of the Series E Preference Stock filed with the California Secretary of State on January 31, 2012, and presently in effect, certified by the California Secretary of State, were filed with the Commission on March 5, 2012, in connection with Application No. 12-03-004, and are by reference made a part hereof.

A copy of SCE's Certificate of Determination of Preferences of the Series G Preference Stock filed with the California Secretary of State on January 24, 2013, and presently in effect, certified by the California Secretary of State, was filed with the Commission on January 31, 2013, in connection with Application No. 13-01-016, and is by reference made a part hereof.

A copy of SCE's Certificate of Determination of Preferences of the Series H Preference Stock filed with the California Secretary of State on February 28, 2014, and presently in effect, certified by the California Secretary of State, was filed with the Commission on March 24, 2014, in connection with Application No. 14-03-013, and is by reference made a part hereof.

A copy of SCE's Certificate of Determination of Preferences of the Series J Preference Stock filed with the California Secretary of State on August 19, 2015, and presently in effect, certified by the California Secretary of State was filed with the Commission on October 2, 2015, in connection with Application No. 15-10-001, and is by reference made a part hereof..

A copy of SCE's Certificate of Determination of Preferences of the Series K Preference Stock filed with the California Secretary of State on March 2, 2016, and presently in effect, certified by the California Secretary of State, was filed with the Commission on April 1, 2016, in connection with Application No. 16-04-001, and is incorporated herein by this reference.

A copy of SCE's Certificate of Determination of Preferences of the Series L Preference Stock filed with the California Secretary of State on June 20, 2017, and presently in effect, certified by the California Secretary of State, was filed with the Commission on June 30, 2017, in connection with Application No. 17-06-030, and is incorporated herein by this reference.

Certain classes and series of SCE's capital stock are listed on a "national securities exchange" as defined in the Securities Exchange Act of 1934 and copies of SCE's latest Annual Report to Shareholders and its latest proxy statement sent to its stockholders has been filed with

the Commission with a letter of transmittal dated March 17, 2018, pursuant to GO Nos. 65-A and 104-A of the Commission.

IX.

SB 960 REQUIREMENTS

The information below addresses the requirements of SB 960, as set forth in Rule 2.1 and 7.1 of the Commission's Rules of Practice and Procedure. For purposes of Rule 7.1, SCE proposes that this proceeding be categorized as ratesetting. SCE believes that no evidentiary hearing is required for this proceeding based on the expedited nature of the ERRA Trigger Application and the fact that SCE is not seeking to recover costs or otherwise change rates through this Application. Therefore, SCE proposes that the Application be considered and approved on an expedited basis. In order to issue a timely final Commission decision, SCE requests that the Administrative Law Judge (ALJ) assigned to this matter issue a ruling shortening the protest period from 30 days to 15 days given the expedited nature of this proceeding, and SCE also requests that the Commission to process the Application according to the following expedited schedule.

| DATE | Activity |
|---------------------------|---|
| November 13, 2018 | SCE files Trigger Application |
| TBD | Notice of Trigger Application appears in Daily Calendar |
| + 15 days | Protest due |
| + 5 days | Reply due |
| No later than 1 + 15 days | ALJ issues Proposed Decision |
| January 31, 2019 | Commission issues Final Decision |

X.

SERVICE

SCE will serve this Application and all appendices as required by the Public Utilities Code and the Commission's Rules of Practice and Procedure.

XI.

EXPEDITED TREATMENT

SCE has included herein all of the data required to support its Application, and will provide orally or in writing any other information the Commission finds necessary to act on it. SCE respectfully requests that the Commission review and approve this Application on an expedited basis, according to the schedule proposed above.

Respectfully submitted,

JANET S. COMBS
RUSSELL A. ARCHER
MARIO E. DOMINGUEZ

/s/ Mario E. Dominguez

By: Mario E. Dominguez

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SOUTHERN CALIFORNIA EDISON COMPANY

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November 13, 2018

DECLARATION OF LINDA R. LETIZIA

I, Linda R. Letizia, holding the title of Principal Manager, CPUC Recovery & Tariffs, Southern California Edison Company, have read the foregoing Expedited Application of Southern California Edison Company (U 338-E) Regarding Energy Resource Recovery Account Trigger Mechanism by Southern California Edison Company and know its contents. To the extent the Application states facts, I have personal knowledge that those facts are true and correct and, as to matter of which I do not have personal knowledge, I believe them to be true based upon the information available to me or my beliefs after having made reasonable inquiry into these matters.

I declare that the Application is submitted in good faith. I further declare that the relief requested is warranted under law and based upon the facts and circumstances known to me and set forth in the Application.

I have full authority to make these declaration on behalf of Southern California Edison Company, and do so under penalty of perjury.

Executed on November 13, 2018 at Rosemead, California.

Declared and executed by:

/s/ Linda R. Letizia
Linda R. Letizia
Principal Manager, CPUC Cost Recovery &
Tariffs

Appendix A

Energy Resource & Recovery Account

2018

TABLE 1

Energy Resource Recovery Account
(Thousands of Dollars)

| Line No. | Description | Recorded January | Recorded February | Recorded March | Recorded April | Recorded May | Recorded June | Recorded July | Recorded August | Recorded September | Forecast October | Forecast November | Forecast December | Annual Summary |
|----------|--|---------------------|----------------------|-------------------|-------------------|-----------------|------------------|------------------|--------------------|-----------------------|---------------------|----------------------|--------------------------------------|-------------------|
| 1. | Beginning Balance | 464,403 | 413,611 | 449,406 | 502,011 | 456,771 | 488,598 | 451,864 | 560,130 | 529,698 | 690,374 | 698,849 | 711,338 | 464,403 |
| 2. | Transfer From Energy Settlements Memo Account (ESM/ | (10,126) | - | - | - | - | - | - | - | - | - | - | - | (10,126) |
| 3. | Transfer from Litigation Costs Tracking Account (LCTA) | 2,799 | - | - | - | - | - | - | - | - | - | - | - | 2,799 |
| 4. | DRAM True Up and Interest | - | (165) | - | - | - | - | - | - | - | - | - | - | (165) |
| 5. | GHG 2016 True Up and Interest | - | - | - | - | - | - | - | (9,320) | - | - | - | - | (9,320) |
| 6. | Adjusted Beginning Balance | 457,076 | 413,447 | 449,406 | 502,011 | 456,771 | 488,598 | 451,864 | 550,810 | 529,698 | 690,374 | 698,849 | 711,338 | 447,591 |
| 7. | ERRA Revenue | (287,712) | (248,151) | (275,198) | (349,888) | (289,297) | (427,666) | (665,049) | (837,570) | (356,705) | (284,131) | (255,791) | (287,311) | (4,564,468) |
| 8. | Expenses: | | | | | | | | | | | | | |
| 9. | Fuel | 5,398 | 15,915 | 12,868 | 6,661 | 4,753 | 8,416 | 29,111 | 22,541 | 11,096 | 20,182 | 17,873 | 12,088 | 166,902 |
| 10. | Purchased Power | | | | | | | | | | | | | |
| 11. | Cogen and Renewables | 91,576 | 111,341 | 166,176 | 209,348 | 216,555 | 311,954 | 287,861 | 283,422 | 260,808 | 157,262 | 145,335 | 130,894 | 2,372,532 |
| 12. | Other Purchased Power | 146,756 | 156,283 | 148,089 | 87,881 | 99,029 | 69,767 | 455,467 | 509,541 | 244,399 | 113,774 | 103,663 | 166,444 | 2,301,092 |
| 13. | Subtotal Purchased Power | 243,729 | 283,539 | 327,133 | 303,889 | 320,337 | 390,137 | 772,439 | 815,504 | 516,304 | 291,218 | 266,871 | 309,426 | 4,840,527 |
| 14. | Monthly (Over)/Under Collection | (43,983) | 35,389 | 51,935 | (45,998) | 31,040 | (37,529) | 107,390 | (22,066) | 159,599 | 7,087 | 11,080 | 22,115 | 276,059 |
| 15. | Total Interest: | 518 | 571 | 669 | 758 | 787 | 795 | 876 | 954 | 1,077 | 1,388 | 1,409 | 1,445 | 11,248 |
| 16. | Total ERRA Ending Balance | 413,611 | 449,406 | 502,011 | 456,771 | 488,598 | 451,864 | 560,130 | 529,698 | 690,374 | 698,849 | 711,338 | 734,898 | 734,898 |
| 17. | Interest Rates | 1.43% | 1.59% | 1.69% | 1.90% | 2.00% | 2.03% | 2.08% | 2.12% | 2.12% | 2.40% | 2.40% | 2.40% | |
| | | | | | | | | | | | | | Estimated ERRA Ending Balance | 734,898 |
| | | | | | | | | | | | | | FF&U | 8,531 |
| | | | | | | | | | | | | | Total ERRA w/ FF&U | 743,429 |

Appendix B

Balance Sheet and Income Statement

SOUTHERN CALIFORNIA EDISON COMPANY

BALANCE SHEET
SEPTEMBER 30, 2018
CAPITALIZATION AND LIABILITIES
(in millions)

CAPITALIZATION:

| | |
|--------------------------------------|---------------|
| Common stock | \$ 2,168 |
| Additional paid-in capital | 678 |
| Accumulated other comprehensive loss | (20) |
| Retained earnings | 10,146 |
| Common shareholder's equity | <u>12,972</u> |
| Preferred and preference stock | 2,245 |
| Long-term debt | 12,890 |
| Total capitalization | <u>28,107</u> |

CURRENT LIABILITIES:

| | |
|-----------------------------------|--------------|
| Short-term debt | 103 |
| Current portion of long-term debt | 79 |
| Accounts payable | 1,290 |
| Accrued taxes | 105 |
| Customer deposits | 297 |
| Regulatory liabilities | 1,599 |
| Other current liabilities | 1,329 |
| | <u>4,802</u> |

DEFERRED CREDITS:

| | |
|--|---------------|
| Deferred income taxes and credits | 6,367 |
| Pensions and benefits | 446 |
| Asset retirement obligations | 2,890 |
| Regulatory liabilities | 8,463 |
| Other deferred credits and other long-term liabilities | 2,355 |
| | <u>20,521</u> |

\$ 53,430

Appendix C
Summary of Earnings

**Southern California Edison
Summary of Earnings
2015 GRC Adopted Revenue Requirement
Thousands of Dollars**

| Line | | |
|------|------------------------------|------------|
| No. | Item | Total |
| 1. | Base Revenues | 5,182,297 |
| 2. | Expenses: | |
| 3. | Operation & Maintenance | 1,984,387 |
| 4. | Depreciation | 1,532,289 |
| 5. | Taxes | 442,687 |
| 6. | Revenue Credits | (147,491) |
| 7. | Total Expenses | 3,811,871 |
| 8. | Net Operating Revenue | 1,370,425 |
| 9. | Rate Base | 17,375,834 |
| 10. | Rate of Return | 7.89% |

**Southern California Edison
Summary of Earnings
2016 GRC Adopted Revenue Requirement
Thousands of Dollars**

| Line | | |
|------|------------------------------|------------|
| No. | Item | Total |
| 1. | Base Revenues | 5,385,537 |
| 2. | Expenses: | |
| 3. | Operation & Maintenance | 2,037,603 |
| 4. | Depreciation | 1,546,128 |
| 5. | Taxes | 474,761 |
| 6. | Revenue Credits | (149,196) |
| 7. | Total Expenses | 3,909,295 |
| 8. | Net Operating Revenue | 1,476,242 |
| 9. | Rate Base | 18,713,446 |
| 10. | Rate of Return | 7.89% |

**Southern California Edison
Summary of Earnings
2017 GRC Adopted Revenue Requirement
Thousands of Dollars**

| Line | | |
|------|------------------------------|------------|
| No. | Item | Total |
| 1. | Base Revenues | 5,657,371 |
| 2. | Expenses: | |
| 3. | Operation & Maintenance | 2,096,676 |
| 4. | Depreciation | 1,575,482 |
| 5. | Taxes | 542,386 |
| 6. | Revenue Credits | (148,941) |
| 7. | Total Expenses | 4,065,603 |
| 8. | Net Operating Revenue | 1,591,768 |
| 9. | Rate Base | 20,175,800 |
| 10. | Rate of Return | 7.89% |